



Directorate of
Intelligence

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Near East and South Asia Review

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29 January 1988

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Near East and
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Articles

Syria: Reaction to Palestinian Unrest in Israeli-Occupied
Territories

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Palestinian Terrorism in 1987

Palestinian terrorist attacks outside the Middle East decreased in 1987, but incidents within Israel and the occupied territories as well as attempted raids into Israel increased. Palestinian activists still believe terrorism is an effective way to focus attention on their grievances and hurt Israel and its supporters.

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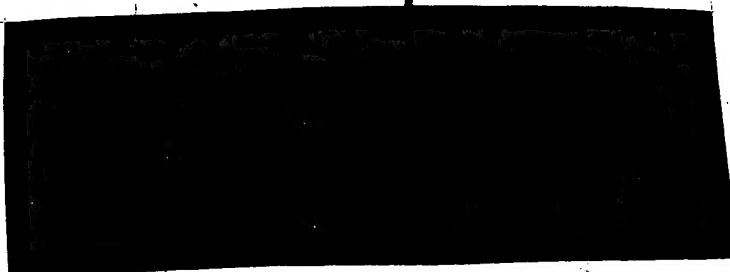
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~~Lebanon: Dany Chamoun's Presidential Aspirations~~

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Leader of the National Liberal Party and a perennial presidential candidate, Dany Chamoun is a front-runner among the growing number of presidential hopefuls in Lebanon's September 1988 election. To increase his popular support, Chamoun is developing a political platform and contacts independent of the National Liberal Party.

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~~Tunisia: The Fundamentalist Challenge to Stability~~

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Islamic fundamentalism, under the banner of the Islamic Tendency Movement, represents the largest political threat to the government of President Zine El Abidine Ben Ali. Ben Ali has shown by his initial actions that he intends to implement a more imaginative and effective policy for dealing with the fundamentalists.

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Middle East-South Asian Debt: Manageable but Growing — b3

Examination of the external debt position of the countries of the Middle East and South Asia reveals broad differences in the magnitude of their financing problems. A steadily growing need for external financing combined with pressure on Western creditors for more generous rescheduling is likely to produce strains in important political relationships. — b3

Brief

Saudi Arabia: Banning Iranian Religious Pilgrims — b3

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Near East and
South Asia Review

Articles

Syria: Reaction to Palestinian
Unrest in Israeli-Occupied
Territories

The recent unrest in the Israeli-occupied West Bank and Gaza Strip is a positive development for Syria, which argues the "uprising" vindicates its hardline position on the Arab-Israeli issue. Syria has encouraged the unrest by giving it full propaganda support and urging its Palestinian surrogates to do the same. It is unlikely, however, that Syria will have much effect in the occupied territories, because it lacks the resources to significantly influence events there and its anti-Palestinian actions in recent years have eroded Syrian credibility.

By allowing extensive media coverage of the disturbances, President Hafiz al-Assad is forced to perform a balancing act to ensure that his wholehearted approval of the recent violence will not result in sympathy demonstrations in Syria or Syrian-occupied Lebanon that could spill over into pro-Palestine Liberation Organization (PLO) demonstrations expressing discontent with Damascus's opposition to PLO leader Yasir Arafat.

Moreover, the strong public position taken by Assad's government may appease antiregime sentiments among Palestinians arising from the current situation.

The "Uprising": Tailormade for Syria

The unrest in the Israeli-occupied territories is a timely blessing for Syria, which Damascus is exploiting to the utmost. An editorial in the official Ba'th newspaper on 7 January presenting the

government's view of the "uprising" explains how the disturbances support Syria's position on the Arab-Israeli confrontation:

- After 39 years, "the spirit of resistance is alive" and "the myth of Israeli security has been shattered." Problems of Israeli occupation are not limited to the territories seized in 1967 but extend within the 1948 borders of Israel.
- The uprising—a true liberation movement—has revealed the Palestinian cause to be the essence of the struggle in the area.
- The people in the occupied lands reject bargaining based on "surrender."
- The "murders and expulsions" by Israeli authorities represent a "campaign of genocide," revealing the true face of the Israeli Government, which now is condemned worldwide as a "racist state" accused of crimes against humanity.

As Syria has always argued that the confrontation against Israel should be the paramount issue in the Arab world, it views the current violence as a golden opportunity to concentrate Pan-Arab attention on the struggle and away from other issues occupying the Arab world—issues that do not coincide with Syrian policy interests. In particular, by deflecting Arab League attention from the Iran-Iraq war and Syria's recent setbacks at the Amman summit meeting,

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Assad may hope to regain his former stature in the Arab world and perhaps create a smokescreen allowing him to back away from commitments made at the summit meeting. By attempting to focus all eyes on the occupied territories and depicting itself as the standard bearer of the Palestinian struggle, Syria hopes to continue receiving financial assistance for its ailing economy without fulfilling the pledges it reluctantly made to Arab benefactors in Amman.

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Fanning the Flames of Unrest

To ensure that Arab attention remains focused on the current uprising, Syria will undoubtedly continue to flood the media with inflammatory propaganda both domestically and in the occupied territories. Since the disturbances began in early December 1987, Syrians have been subjected to unremitting coverage of the situation, with particular emphasis on:

- The day-to-day situation in the occupied territories, including numerous exaggerated accounts of Israeli violence.
 - Unified Arab support for the uprising and condemnation of Israel. Egypt, in particular, has been singled out with extensive reporting on sympathy demonstrations held in Cairo by students and lawyers. This is intended to support the Syrian contention that the Egyptian masses want to rise against their "repressive" government to force the repudiation of the Camp David accord.
 - Foreign media coverage of the violence, with special emphasis on the worldwide condemnation of Israel's "brutal tactics."
 - Actions taken by the United Nations and renewed discussions on the dangerous implications of the US-Israeli strategic alliance for the Arab world.
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The uprising provides Syria with an opportunity to reassert its position that the only solution to the Arab-Israeli conflict is armed confrontation because Israel has made no sincere effort to reach a political solution. In addition to broadcasting propaganda, Syria may prove this contention by using its Palestinian surrogates to support agitators in the occupied territories to escalate or at least maintain the current levels of unrest. Pro-Syrian Palestinian leader Colonel Abu Musa, for example, has called publicly for the mobilization of the "Palestinian National Forces" to support the uprising. Israeli television claims that some of the "small terrorist organizations" linked to Syria are seeking ways to infiltrate arms into the demonstrations. Despite these efforts, Syria and most of its surrogates have few assets they can exploit to influence events in the occupied territories. It is unlikely this situation will change in the near term, as Assad's influence in Palestinian circles remains constrained by his anti-Arafat policies. Only the pro-Syrian Popular Front for the Liberation of Palestine has dozens of trained activists in the territories, and they could ignite the situation through terrorist-type activities should they so desire. Relations between Syria and the popular Front for the Liberation of Palestine have been strained recently, however, because of the front's contacts with Arafat.

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Assad's Dilemma

The possibility that his extensive propaganda campaign may result in destabilizing domestic unrest among the 250,000 Palestinians residing in Syria is

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forcing Assad to ban all demonstrations not officially sanctioned and controlled by the government. Official government organs such as the Syrian Peasants' Union and the General Union of Craftsmen have expressed verbal support for the uprising. The Arab Writer's Union has been permitted to organize cultural activities in support of Palestinians in the occupied territories, but, all requests to hold large-scale demonstrations have been denied by Syrian officials:

Syria will undoubtedly take further measures to mollify sentiments aroused by Syria's anti-Palestinian actions. We believe Syria was behind Amal leader Nabih Barri's mid-January announcement declaring an end to the camps war in Lebanon as a gesture to express solidarity with the uprising in the occupied territories. This move is intended to increase Syria's reputation as the leader of the Palestinian struggle and deter pro-PLO Palestinians from criticizing Assad for impeding the uprising despite his brutal restrictions on PLO activities in Lebanon. The three-year-old camps war has left over 2,500 dead and deeply damaged Syrian legitimacy in Palestinian eyes.

Outlook

Because Syria cannot control the uprising, Assad will be unable to formulate active strategies and will rely on merely reacting to events in the occupied territories. Although we do not foresee a loosening of restrictions on pro-Arafat Palestinians, Assad undoubtedly will remain flexible in other respects in order to serve his best interests. One option Assad may employ is encouraging pro-Syrian Palestinians to attack the security zone in southern Lebanon and northern Israel to demonstrate solidarity with the cause. This would increase Syrian prestige and further add to Assad's claims of Syrian preeminence in the confrontation with Israel. In 1987 pro-Syrian Palestinians made at least three attempts to infiltrate northern Israel. The most successful, the hang-glider attack by the Popular Front for the Liberation of Palestine-General Command on 25 November, which killed six Israelis, helped spark the current unrest in the territories.

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Palestinian Terrorism in 1987

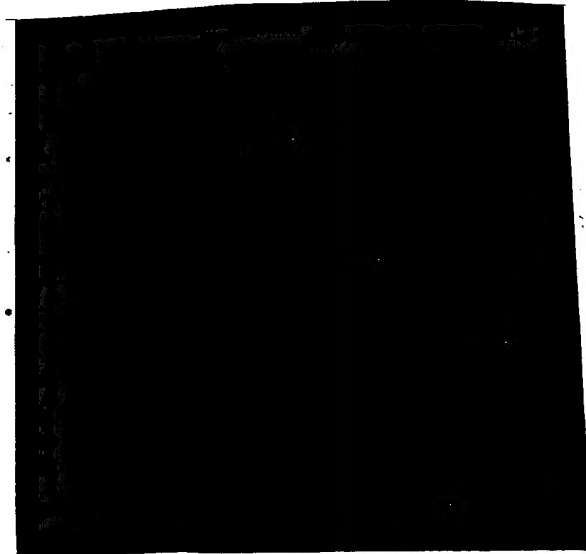
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Palestinian terrorist attacks outside the Middle East decreased in 1987, but incidents within Israel and the occupied territories as well as attempted raids into Israel increased. The decrease in Palestinian terrorism outside the Middle East was caused primarily by the debilitating effect of the Palestinian camps war in Lebanon, the deterrent of Western sanctions on states supporting Palestinian terrorists, and security measures that have at least temporarily complicated terrorist operations, particularly in "traditional" West European locations.

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Despite the respite from Palestinian terrorist spectaculars, Palestinian activists have not forsaken terrorism. They still believe it is an effective way to focus attention on their grievances, obstruct unacceptable solutions to the Arab-Israeli conflict, and hurt Israel and its supporters. We believe that several of the more radical Palestinian groups may be priming their organizations for a resurgence of terrorist activity, primarily against Israeli, US, and moderate Arab targets both within and beyond the Middle East.

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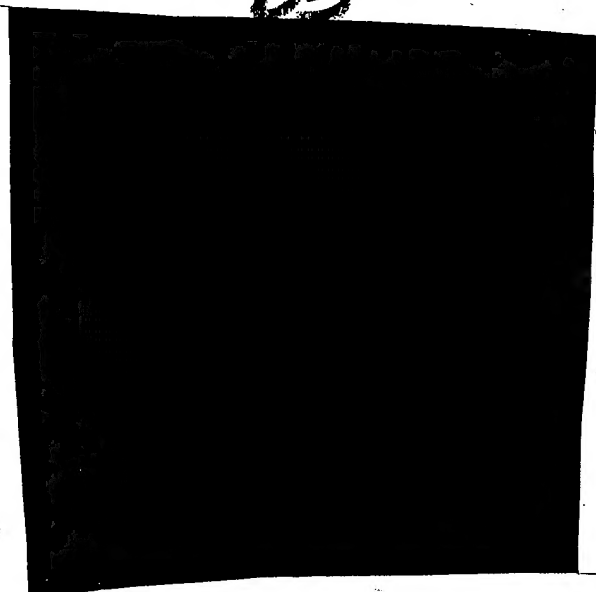
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Restraint Beyond the Middle East

Several factors contributed to the decline in major Palestinian terrorist attacks outside the Middle East in 1987:

- A lack of progress in the peace process reduced attacks by Palestinians opposed to negotiations.
- Intensified fighting in Lebanon to defend Palestinian refugee camps monopolized the resources and attention of most Palestinian groups, causing a distraction from terrorist operations. Most Palestinian factions have become involved in the Lebanese dispute, concentrating their resources on paramilitary activities and consolidating their positions in the refugee camps.
- Syria, one of the principal Arab patrons of radical Palestinians, almost certainly had a hand in curtailing Palestinian terrorist attacks outside the Middle East, at least during the first half of 1987.

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Damascus probably urged a reduction of operations outside the region after the public revelation of its involvement in the attempted bombing of an El Al flight at London's Heathrow Airport in April 1986. Libya probably lowered the visibility of its support for terrorism following public disclosure of its involvement in several major attacks in 1986 and the subsequent US airstrikes on Tripoli and Benghazi.

- More aggressive US and West European counterterrorist measures probably caused Palestinian groups to weigh more carefully the risks of attack. **b3**

Closures and Expulsions

In the summer of 1987 two of the most dangerous Palestinian terrorist groups apparently suffered logistic setbacks. In early June facilities of the Abu Nidal Organization were closed, and the group's known operatives were expelled from Syria. Before the expulsion, Damascus served as the group's principal sponsor and host. The Syrian action almost certainly disrupted the group's activities, forcing a relocation to sites in Lebanon and elsewhere in the Middle East and cutting off access to Damascus airport, the departure point for many recent Abu Nidal terrorist operations. **b3**

Fatah security official Colonel Hawari, whose terrorist apparatus was responsible for the bombing of a TWA flight over Greece in 1986 that killed four US citizens, was expelled from his Baghdad headquarters in June. At the end of 1987 there were signs that Hawari was seeking to relocate his Iraqi-based resources—apparently largely unaffected by the expulsion order—and establish a new operational headquarters somewhere in the Middle East. Hawari has been refused residence in Algeria and North Yemen, despite the reported intervention of Palestine Liberation Organization Chairman Yasir Arafat on his behalf. Meanwhile, Hawari is using Yugoslavia as his base and continues to travel extensively throughout the Middle East. **b3**

The apparent need of the Abu Nidal Organization and the Hawari apparatus to build ties to other states and relocate their organizations probably reduced

their capabilities to launch major terrorist attacks in the last half of 1987. They also may have limited terrorist attacks that could make them the focus of negative publicity and deter potential hosts. **b3**

Shifting Venues

The bombing in March of the Cafe Historil, a restaurant in Djibouti frequented by French nationals, was one of the most spectacular Palestinian terrorist attacks of the year. The bombing, probably conducted by the Popular Struggle Front with Libyan support, killed 11 persons including five French soldiers. The choice of a Western target in East Africa is additional evidence that Palestinian groups are looking to operate in new areas, including Africa, Asia, and even North America.



The Judgment Year

The past 12 months also witnessed the trials of Palestinians responsible for some of the most devastating attacks of 1985 and 1986:

- The trial of the sole surviving terrorist of the Abu Nidal Organization's attack at Rome's Fiumicino Airport in December 1985 opened in December 1987 under tight security inside an Italian maximum security prison. The assault by four terrorists of the Abu Nidal Organization killed 12 persons and wounded 72.

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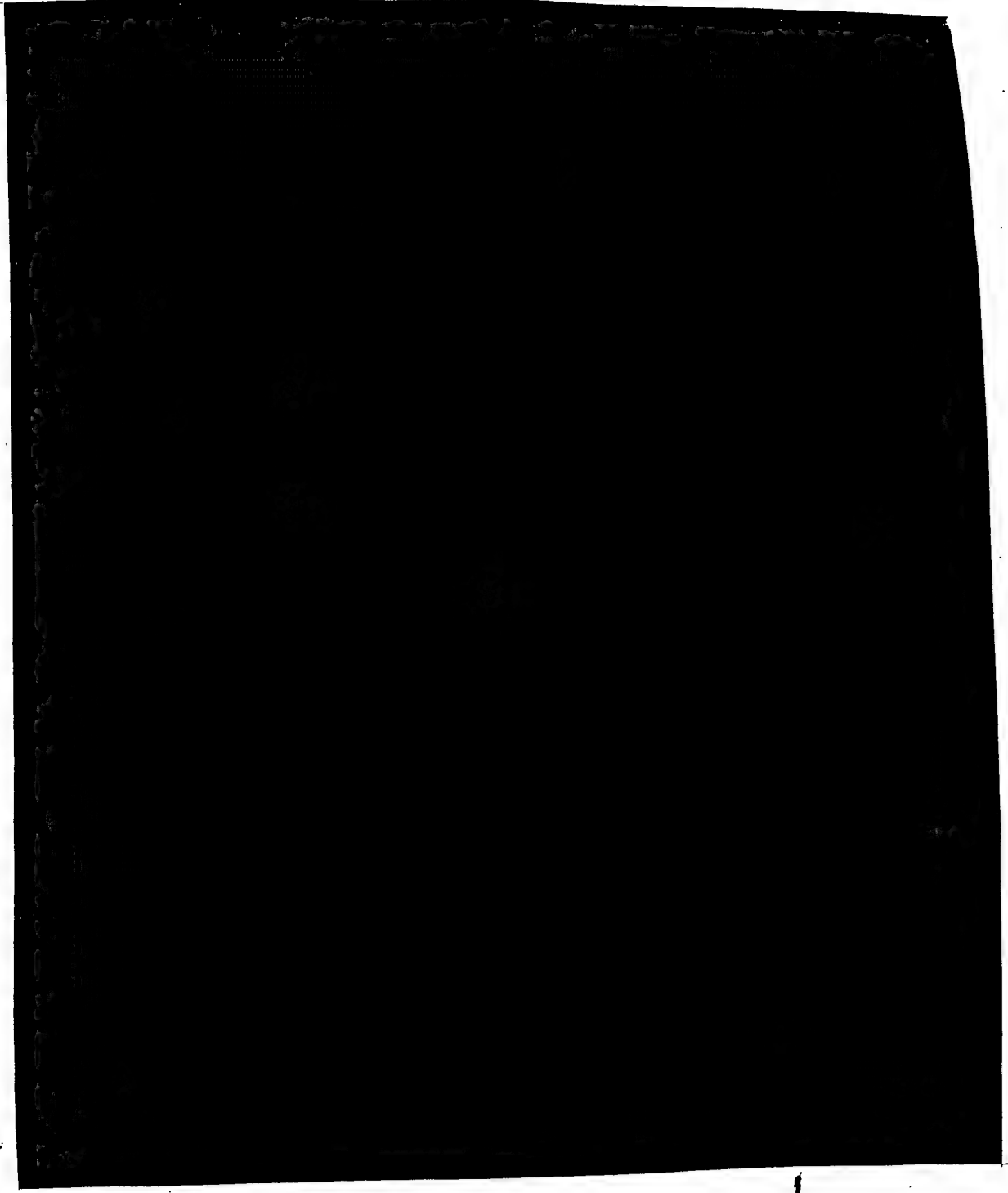
- In October a Spanish court sentenced Palestinian terrorist Nassar Hassan el-Ali to 47 years imprisonment for an attempted bombing against El Al airlines at Madrid's Barajas Airport in June 1986. Hassan claimed to be a member of the Damascus-based Abu Musa group. That attack injured 11 persons and caused \$1 million in property damage.
- In mid-July the trial of five terrorists of the Abu Nidal Organization accused of the attempted hijacking of Pan American Flight 73 in September 1986 in Karachi opened in Pakistan. Twenty-one persons died and over 100 others were injured in the foiled hijacking. The trial is still in progress. We anticipate all defendants will be convicted.
- On 11 July an Italian court sentenced suspected Abu Nidal Organization terrorist Husayn Abu Sereja to a 17-year jail term for the grenade attack in September 1985 against the Cafe de Paris in Rome in which 39 persons were injured. The court charged him with massacre and illegal weapons possession and ruled that he be expelled from Italy once his sentence is completed.
- An Italian appeals court upheld the sentences of the Palestine Liberation Front members convicted in the Achille Lauro hijacking and sentenced one more defendant in absentia to life imprisonment in May. In a separate decision, the courts upheld the sentence of Bassam al-Ashker, the so-called baby terrorist, increasing his sentence slightly to 17 years in prison.
- On 21 May a Vienna court sentenced two members of the Abu Nidal Organization to life imprisonment for the attack on Vienna's Schwechat Airport in December 1985. The grenade and machinegun attack against the El Al counter at the airport killed four persons, including one terrorist, and injured at least 40 others.

Prospects for 1988

The unusually intense wave of Palestinian violence in the West Bank and Gaza Strip that erupted in December highlighted underlying tensions and growing frustrations among Palestinians. These confrontations, which have forced most Arab states to concentrate on Arab-Israeli issues, may increase the likelihood that Palestinians will resume terrorist attacks in the coming months. The radical Arab states undoubtedly will exploit the reawakened Palestinian-Israeli tension for their own gain and may support and even urge Palestinians to launch terrorist attacks. In addition, the recent positive reactions in many parts of the Arab world to successful anti-Israeli attacks, such as the widespread jubilant response to the hang-glider attack—will serve to fuel Palestinian terrorism.

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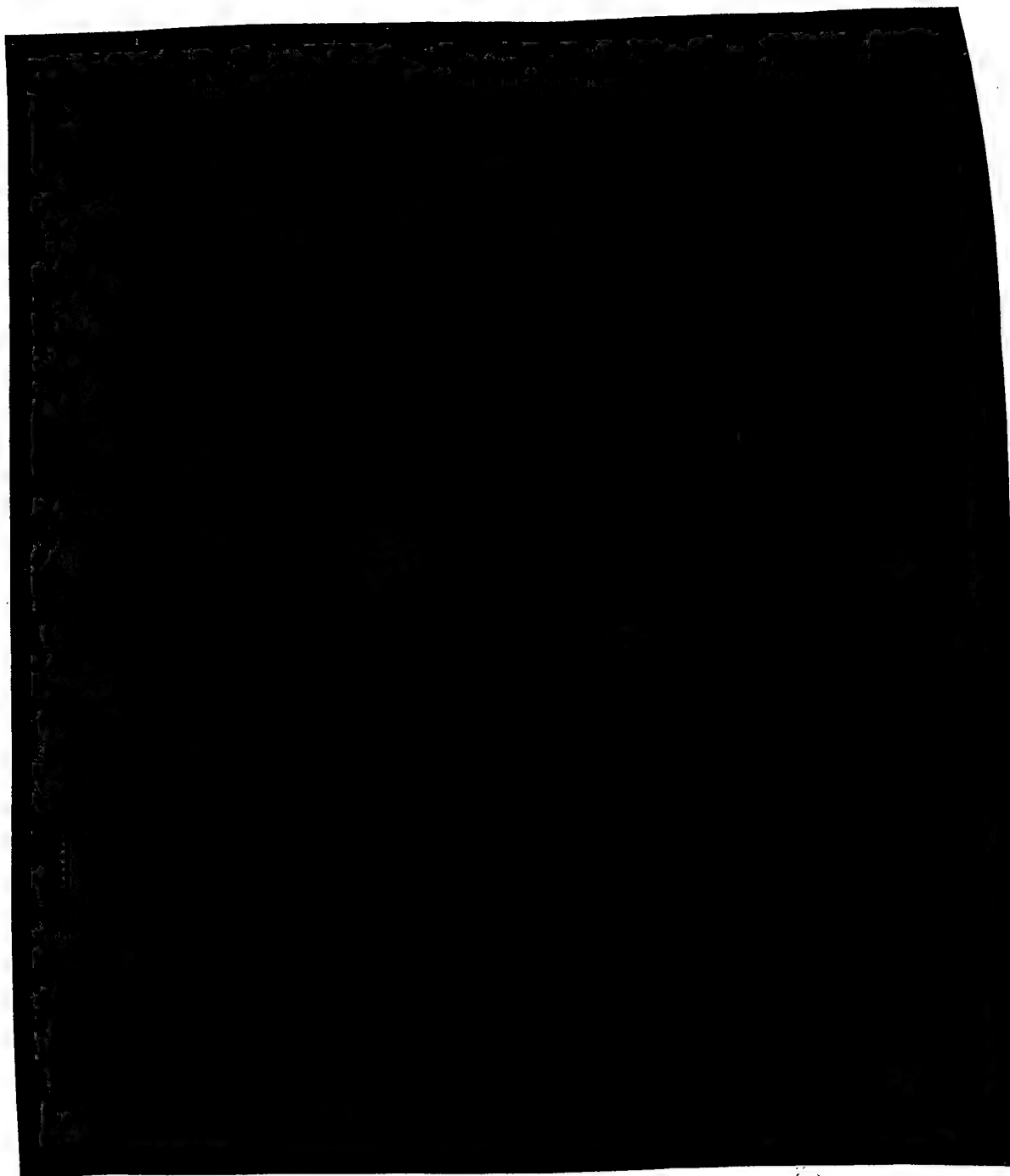


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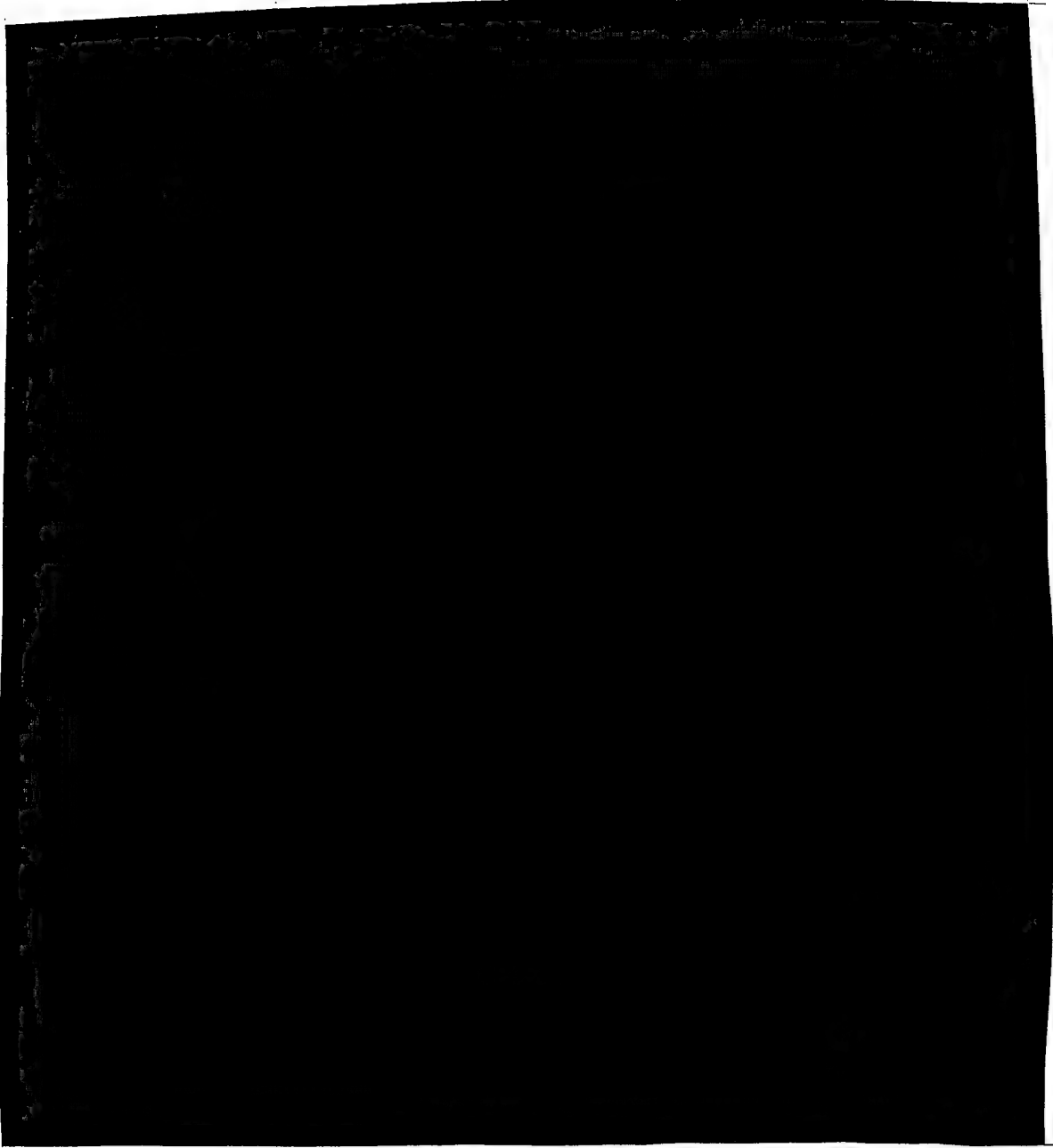
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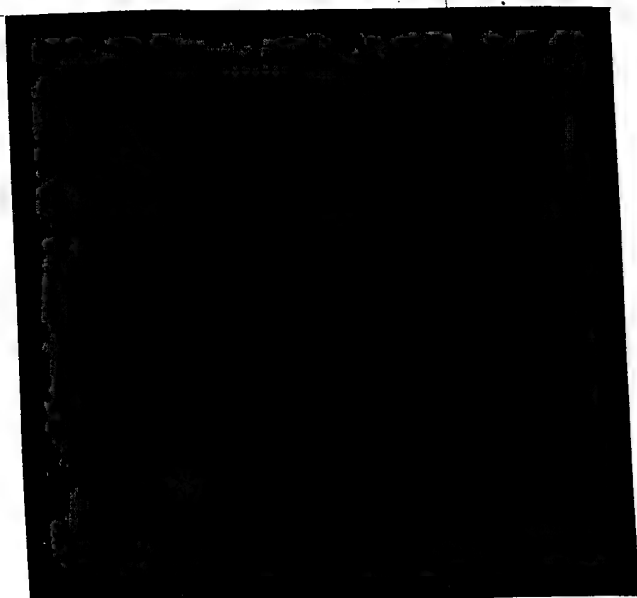
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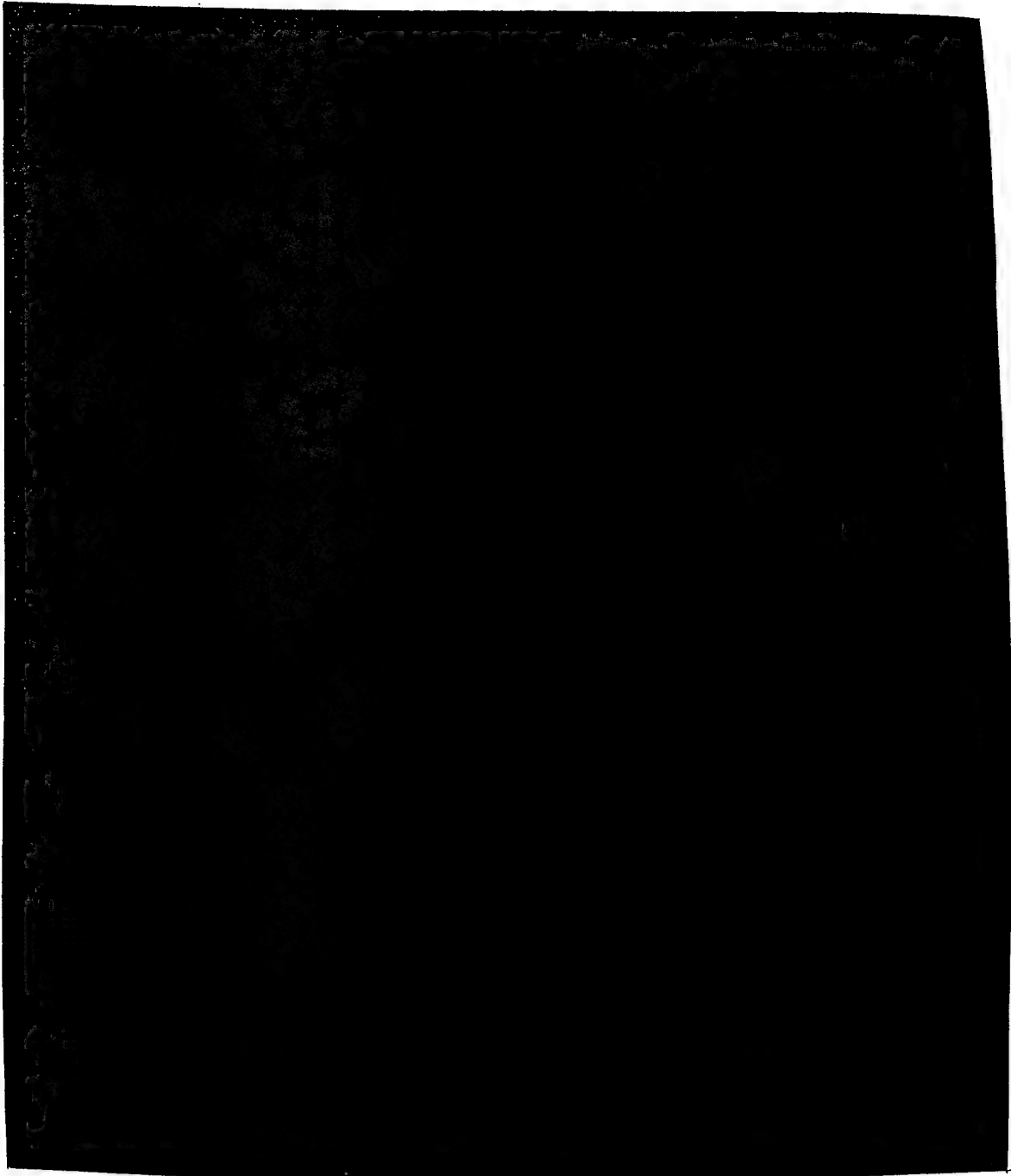


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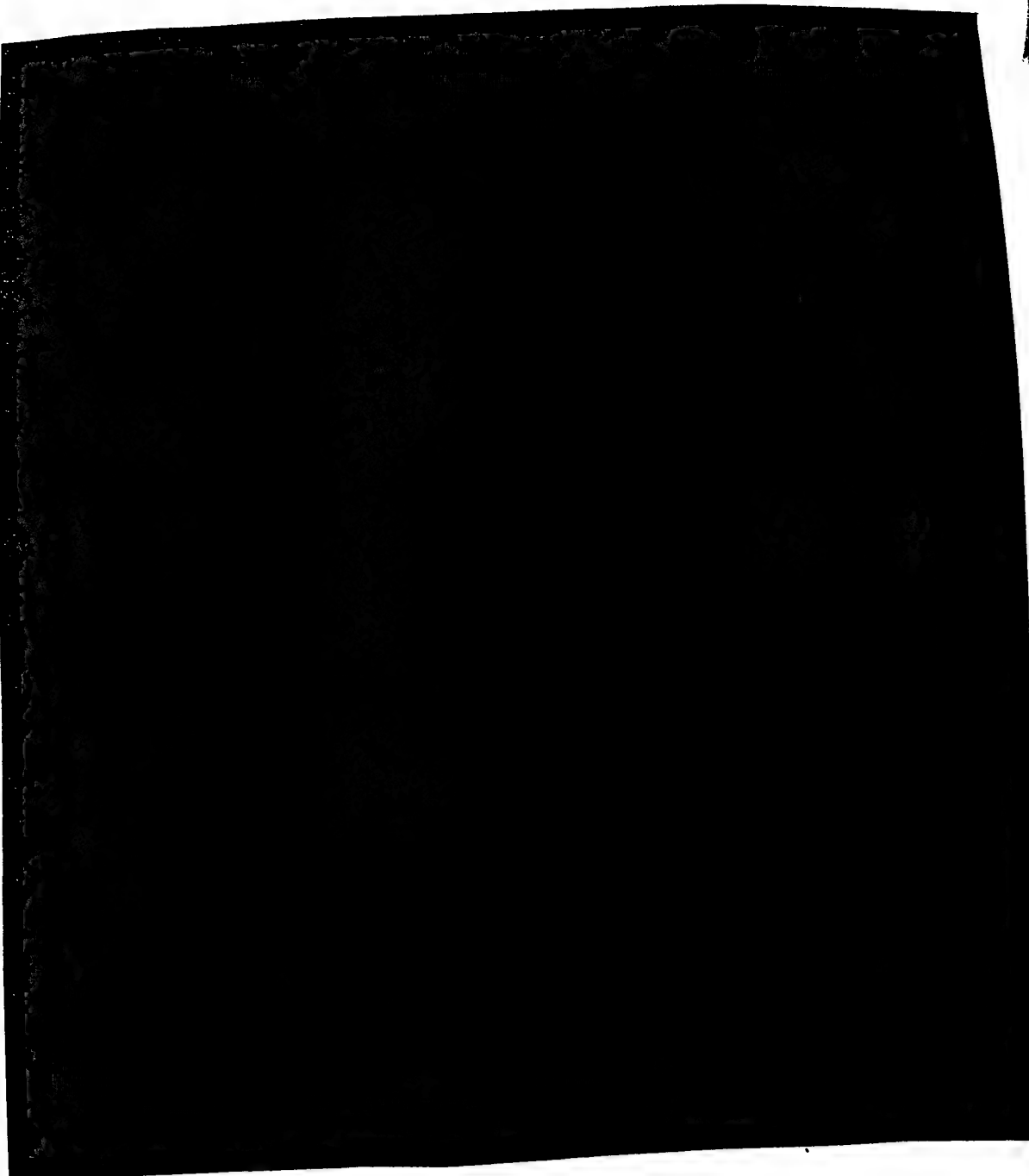
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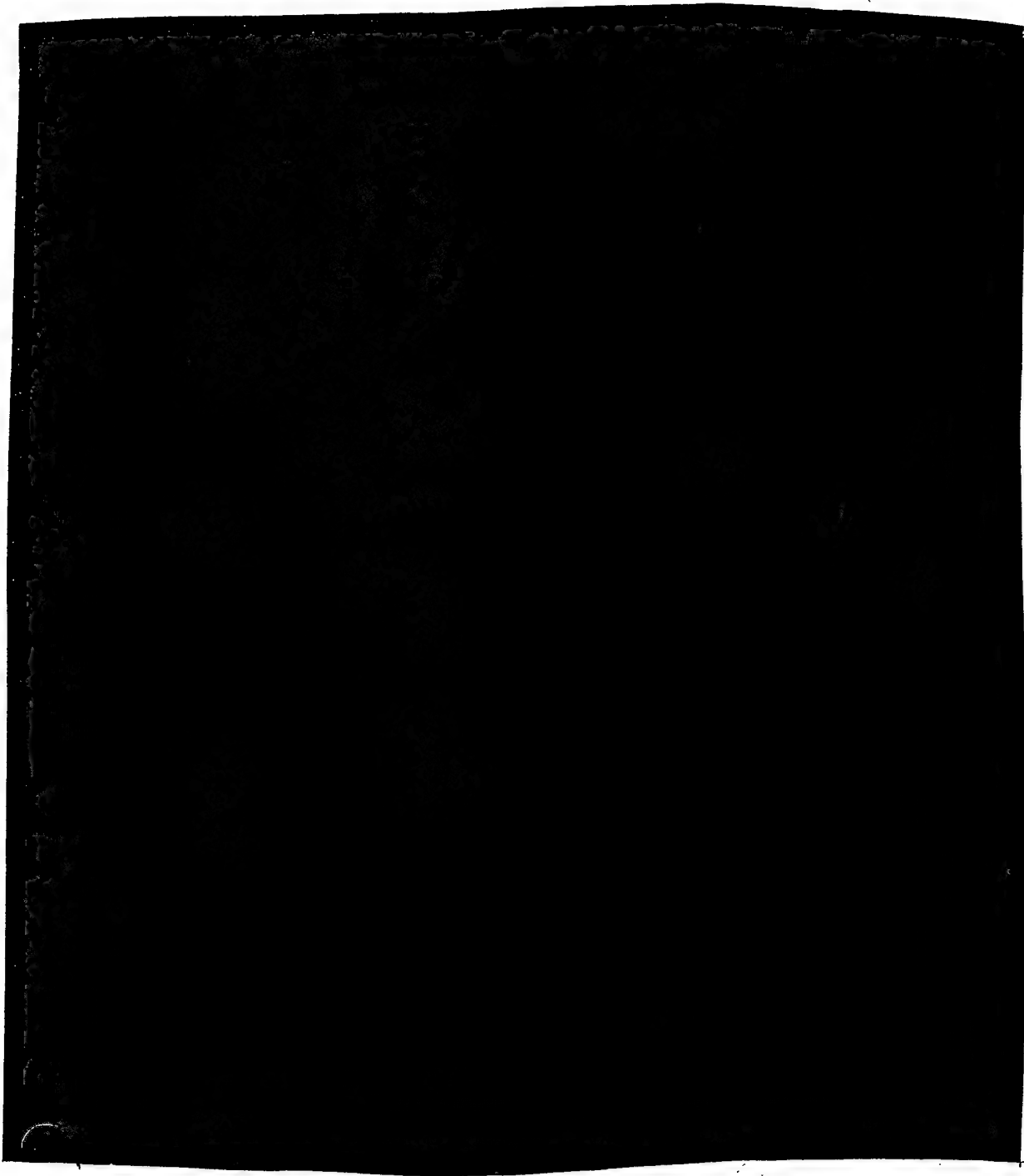
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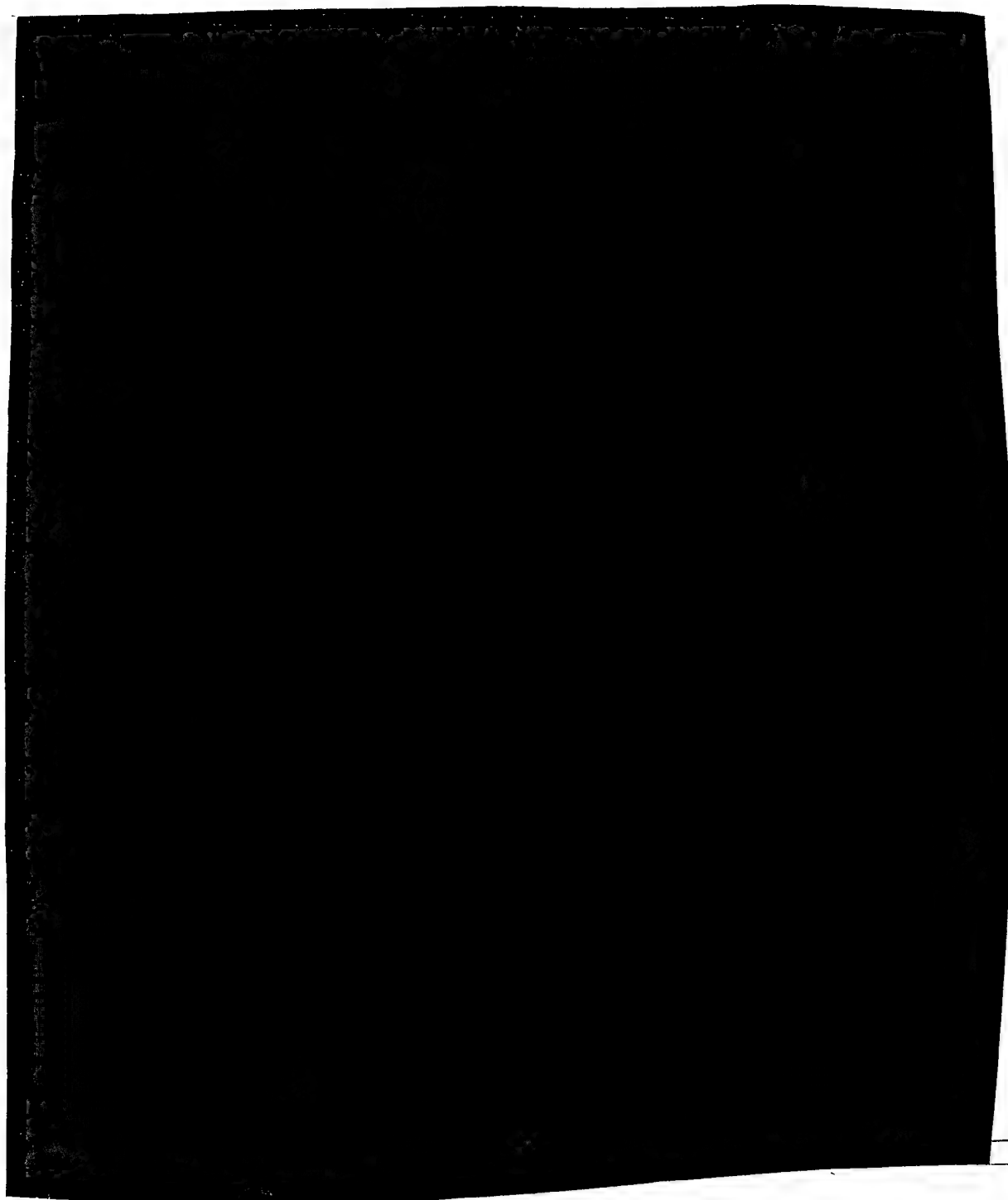
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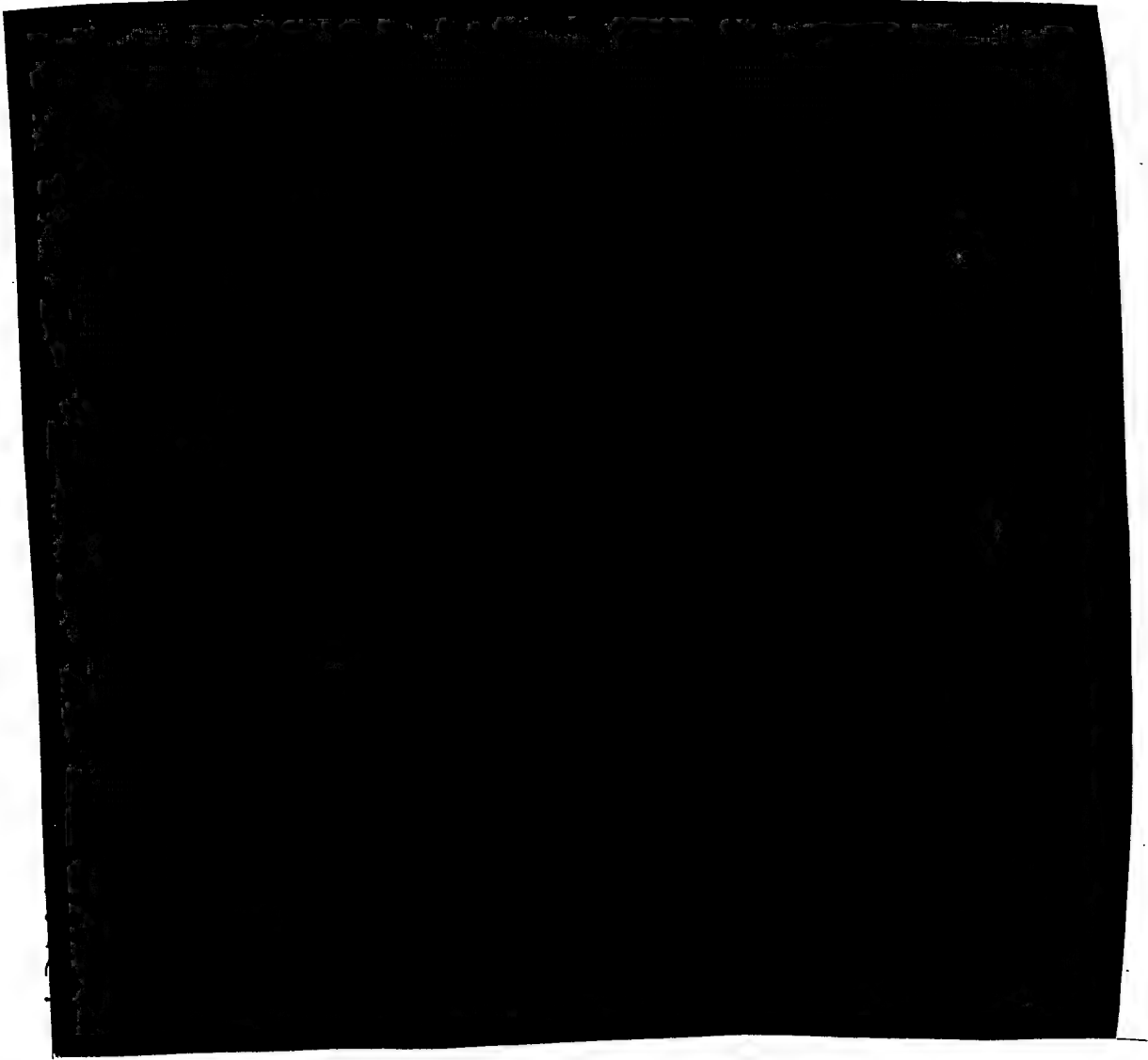
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Lebanon: Dany Chamoun's Presidential Aspirations

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Dany Chamoun, leader of Lebanon's National Liberal Party and a perennial presidential candidate, is a front-runner among the growing number of presidential hopefuls in Lebanon's September 1988 election. In an attempt to emerge from the political shadow cast by his father, former President Camille Chamoun, and widen his base of popular support, Dany Chamoun is developing a political platform and contacts independent of the National Liberal Party.

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Chamoun's path to the presidency will be rife with problems. His hardline Christian attitude and political concessions to the Lebanese Forces militia may make him an unacceptable candidate to most Muslim groups in Lebanon. Chamoun's past anti-Syrian rhetoric also may make him an unacceptable choice to Damascus—which will play a major role in the 1988 election—but his often pro-Israeli stance may win him influential support from Tel Aviv.

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In addition, Chamoun has personal ties to Druze warlord and Cabinet Minister Walid Junblatt, founded on the Chamoun's familial ties to the Druze-controlled Shuf region.

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Among Dany Chamoun's top priorities is improving his carefully cultivated relationship with the militant Lebanese Forces militia. Although not formally involved in the political process, the Lebanese Forces has positioned itself as a powerful performer in this year's election and may play a spoiler role for any candidate acquiescing to Syrian or Muslim demands. The National Liberal Party has been associated with the Lebanese Forces since the start of the civil war in 1976. The party's Tigers militia was forcibly merged into the Lebanese Forces militia by then militia leader Bashir Gemayel, leaving a residue of friction between the two groups.

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We believe Chamoun's courtship of the Lebanese Forces will increase in 1988 as he attempts to calm militia anxieties or challenges to his candidacy caused by a moderating of his political stand.

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Chamoun has publicly championed the Christians' need for the Lebanese Forces militia, especially as an internal security force, and has extolled the virtues of Samir Ja Ja, the leader of the Lebanese Forces, on several

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Coming Into His Own

The National Liberal Party, the second largest Maronite party, was founded by Camille Chamoun in 1958. His death in August 1987 removed the most cohesive, driving force behind the party. To broaden his own political appeal and support, Dany Chamoun is attempting to find a more moderate line than the traditional National Liberal Party platform. Dany, Camille's younger son, is expanding his contacts with other Lebanese political factions and expressing his opinion on a wide variety of topics.

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Contacts in the Lebanese Dynamic

Chamoun's contacts within the Christian community and with Lebanon's prominent families are well established on both personal and political levels. Fueled by the traditional Gemayel-Chamoun family rivalry, Chamoun has been an outspoken critic of President Gemayel. Chamoun has close access to Acting Prime Minister Salim al-Huss, as well as to other Cabinet members.

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occasions. [REDACTED]

[REDACTED] Chamoun has been eager to exploit his alliance with the militia both domestically and abroad and has offered to act as an intermediary for contact between the United States and the Lebanese Forces. Chamoun will try hard to convince Ja Ja not to advance his own candidacy but rather rally behind him as a more "compromise" figure.

[REDACTED] Chamoun's contacts in the Muslim community are more limited, but it appears that he is trying to open new lines of communication. Chamoun recently [REDACTED] instructed an emissary to approach Hizballah spiritual leader Muhammad Husayn Fadlallah with a plan for a Hizballah-Amal agreement to prevent Palestinian and other attacks against Israel in return for an Israeli withdrawal from South Lebanon. Chamoun is not overly optimistic about this plan, but his overtures to Hizballah may indicate a willingness to open other political channels with Shia leaders. The National Liberal Party has traditionally had closer ties to key Shia families than any other Christian party [REDACTED]

Chamoun has maintained a longstanding relationship with the Palestine Liberation Organization (PLO), which facilitates his ties to Lebanon's Sunni Muslims.

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unable to overcome his pro-Israeli image enough to squelch Syrian fears of the latter form of government. In addition, past anti-Syrian statements, such as Chamoun's declaration that Damascus was responsible for Prime Minister Karami's assassination last June, will be difficult—if not impossible—to overcome in courting Syrian support.

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Syria—An Overwhelming Obstacle

All of Chamoun's efforts to broaden his support may be for naught if his well-known relationship with Israel makes him anathema to the Syrians. Damascus, whose troops occupy two-thirds of Lebanon, is widely viewed as the major force in this year's election, and any successful candidate will require Syrian acquiescence at a minimum, or more likely, Syrian backing.

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Outlook

Although Chamoun is positioning himself to make a serious run for Lebanon's presidency, it is too soon to make a judgment of his chances. Until more information is known on the election plans of such key players as Samir Ja Ja and Syrian President Assad, the field remains wide open. Dany Chamoun has demonstrated a keen awareness of the Syrian and militant Christian roles in the 1988 election and will continue to probe for the elusive political platform needed to pacify opposition to his election.

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We believe that in this election Damascus wants to prevent the creation of either a hostile fundamentalist Muslim state or a Christian minstate dependent on Israel on its western border. Dany Chamoun may be

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Tunisia: The Fundamentalist Challenge to Stability — b3

Islamic fundamentalism, under the banner of the Islamic Tendency Movement (MTI), represents the largest political threat to the government of President Zine El Abidine Ben Ali. The President, who had been Prime Minister only five weeks before taking power on 7 November 1987 from "President for Life" Habib Bourguiba, has shown by his initial actions that he intends to implement a more imaginative and effective policy for dealing with the fundamentalists. In our view, his approach stands the best chance of taming the fundamentalists and promoting stability, given the risky alternatives of a return to massive repression or loosening all restrictions on MTI political activity. — b3

Ben Ali Better Suited for the Challenge

Ben Ali has promised a new era of political cooperation between the government and the opposition, including the MTI, but without unduly raising fundamentalist political expectations. Although vowing to continue the crackdown against violence-prone extremists and promising not to tamper with Tunisia's Personal Status Code, Ben Ali's government has taken steps to placate the fundamentalists:

- His speeches have included Koranic religious invocations—unprecedented rhetoric for a Tunisian leader.
- The government's decision to try fundamentalists in criminal rather than state security courts is an indication that Ben Ali will distinguish violent activity and protests from less threatening Islamic political agitation.
- Both Prime Minister Baccouche and Foreign Minister Mestiri have told the press that the MTI could participate in the political process if it changes its name, pledges allegiance to the republican form of government, and disavows any intent of using Islam for political purposes.

- In late November the government announced a series of religious reforms, including the renaming of the faculty of theology at Tunis University with its original designation, the broadcasting of calls to prayer on radio and television, and the enhancement of the powers of the Higher Islamic Council.
- Ben Ali's grant of clemency to 2,487 prisoners in December, included about 600 fundamentalists.



MTI in Disarray

MTI Secretary General Mourou responded favorably to Bourguiba's removal from office and Ben Ali's assumption of power. Despite misgivings about Ben Ali, Mourou and other MTI officials probably are relieved that the new President's actions prevented a retrial and executions of MTI leaders in jail. Ben Ali's olive branch to the Islamic Tendency Movement provides hope that the government will end its persecution of MTI leaders. Mourou has called for political reforms by the Ben Ali government—including a general amnesty, democratic elections, and the rehabilitation of popular organizations such as labor and student groups. — b3

The sudden change in Tunisia's political climate gives the Islamic Tendency Movement a much needed opportunity to put its house in order. In our view, the key weakness of the MTI is its immaturity as a political movement. The movement has existed for only six years, and during half of this period its leadership has been in jail. This disruption almost

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MTI Organization

Leadership. The Islamic Tendency Movement has developed an organizational structure in which a small consultative council or politburo of principal leaders—most of whom are in jail or in exile—directs regional, area, district, and local sections.

Membership. Acting MTI leader Jebali claimed in a press interview that the group has 12,000 to 15,000 members.

Finances. Jebali has confirmed information published by Tunisian prosecutors listing the annual budget of the Islamic Tendency Movement at about \$275,000. Jebali stated that half comes from membership contributions, a third from "taxes" paid by merchants, and the rest from the sale of publications.

Propaganda. In addition to two magazines, the group produces recorded tapes and reference works on Islam. The tapes feature sermons by the Egyptian founder of the Muslim Brotherhood, Hassan al-Banna. The two MTI periodicals, The Society and

Knowledge, had circulations of 25,000 and 20,000, respectively, before the government banned them in 1979. The movement continues to distribute leaflets clandestinely.

Factions. We believe the Islamic Tendency Movement had four factions before the latest crackdown. These included the generally moderate leadership; a less politically oriented group of fundamentalists that led the organization during the period 1981-84 when Ghannouchi and other leaders were in jail, radical students and youth activists; and members in exile primarily in France.

Communications. Past imprisonment of MTI leaders probably taught them the benefits of clandestine methods of internal command and control. We believe a secret cell structure aided the departures of Mourou and Jebali. Although the MTI leadership can still organize demonstrations, the crackdown almost certainly has disrupted communication links within the movement.

certainly hindered efforts to build a cohesive organization. In press interviews Secretary General Mourou has admitted that he lacked effective control over the disparate groups, especially the radical student factions, that make up the MTI. Ben Ali's gestures probably will bolster the moderate MTI leadership at the expense of the radicals.

The unwillingness or inability of the Islamic Tendency Movement to clarify its seemingly inconsistent political philosophy almost certainly will cause doubts about its objectives to persist among many Tunisians. The MTI has consistently supported a moderate platform, including political pluralism in Tunisia, and claims that it will not impose Islamic rule on the country. It has criticized Iran's excesses and has praised the centrist, Islamic-dominated civilian government in Sudan. At the same time, the

Islamic Tendency Movement lauds the Islamic revolution in Iran and calls for the dismantling of Bourguiba's secular laws governing social relations following a "national debate." Ghannouchi, in a few press interviews, has spoken approvingly of violence to achieve fundamentalist ends.

We believe these diverse positions reflect significant differences between the religiously trained and puritanical Ghannouchi and Mourou, a successful divorce lawyer.

Political Prospects for Fundamentalists

In our view, Ben Ali will retain the upper hand over the fundamentalists in the near term. Bourguiba's harsh treatment of fundamentalists has scattered the

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MTI Political Platform

The political agenda of the Islamic Tendency movement is not a model of consistency. Its moderate platform probably is attributable both to the personal convictions of Secretary General Mourou and the interests of the MTI leadership in presenting an acceptable impression to doubtful Western and Tunisian observers.

Government. The MTI cites equality and justice as the central issues in contemporary Tunisia, rather than formation of an Islamic state. It advocates a republican form of government and internal democracy, change based on free elections and parliamentary rule, and support for the current constitution. The MTI calls for free assembly and activity of political parties and other mass movements. At the same time, the MTI calls for a national debate on the establishment of a charter that would organize all social and political relations.

Human Rights. The MTI advocates equality of all Tunisians, presumably including the country's small groups of Christians and Jews, and states that it will not enforce Koranic statutes against those who do not support the MTI. Even so, the group denigrates secular ideologies and promises profound changes in the country's laws.

Social Policy. The most controversial point is the MTI's criticism of Bourguiba's Personal Status Code, passed in the initial years of independence, which secularized society and established equal political and social rights for women. Although supporting their right of citizenship, individuality, and the inviolability of their personal property and dignity, the MTI claims it will release women from the evils of Westernization. In addition, the movement calls for free education and health care and the replacement of French by Arabic as the official language.

Religion. Mourou claims the Islamic Tendency movement will not impose Islamic law, but the movement calls for the enlightenment and guidance of public opinion on issues. Mourou has stated that

the MTI is not a branch of the Muslim Brotherhood—even though the Brotherhood's founder Hassan al-Banna figures prominently in tapes distributed by the movement—and that the MTI is a uniquely Tunisian movement that addresses the country's social and political situation.

Economy. Mourou has advocated a restructuring of commerce for the just distribution of wealth. The MTI calls for the automatic right to work and the elimination of favoritism, corruption, and economic and social inequality. The movement says it would eliminate usury and financial speculation in the banking and commercial sectors.

Foreign Policy. The MTI gives rhetorical support to liberation movements and freedom—including Tunisia's—from foreign dependency, but it does not advocate the export of Islam by force. MTI leaders support an Islamic entity in the Maghreb, initially with Algeria and Libya, and in the broader Arab realm, but they place priority on national unity, Tunisian sovereignty, and defense against foreign aggression. The movement backed the government in the face of military threats from Libya in 1985.

Iran. Ghannouchi has praised the Islamic revolution in Iran, but the Islamic Tendency Movement does not take sides in the Iran-Iraq conflict. Ghannouchi and other leaders have criticized Khomeini's intolerance and domestic excesses as well as the Shia doctrine of the infallibility of the Imam and his position above legal institutions. The MTI leaders deny that Tehran is providing financial and material support to the movement.

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MTI leadership, leaving the Islamic Tendency Movement disorganized and incapable of sponsoring more than occasional demonstrations against the government. We believe Ben Ali has the determination and ability to deal firmly with unauthorized fundamentalist political activity as he has in the past. [REDACTED]

In the near term, we believe the President's efforts to placate the fundamentalists will keep them off guard and help maintain public order as he consolidates his power. We are not confident that the police have the means or ability to locate and neutralize extremist groups, however, let alone cope with large-scale riots or prevent a lone assassin from attacking key figures in the government. b3

We believe Ben Ali has more political leverage over the fundamentalists than did Bourguiba. Ben Ali's gestures present as much a danger to the movement's near-term political viability as an opportunity to gain legal status. Islam in Tunisia has been a strong voice for political expression and a trigger of limited violence, but it has not been the basis of widespread protest. Ben Ali's apparent success at marshaling public support for his government will at least temporarily reinforce his position at the expense of all opposition groups and take the wind out of the MTI's political sails. Furthermore, government tolerance of political activity by all groups increases the chances that secular political groups can compete successfully for the support of Tunisians who have rallied to the Islamic Tendency Movement. b3

We believe that Ben Ali, despite the arrest in mid-November of 73 fundamentalists involved in a plot to overthrow the regime, genuinely desires to clear the air and to achieve a political settlement with the Islamic Tendency Movement. He probably calculates that dialogue and co-optation of the MTI, similar to President Mubarak's approach in Egypt allowing the Muslim Brotherhood access to the political arena, would give the fundamentalists an acceptable degree of involvement in the political process. Ben Ali probably would be willing to lift all restrictions on

Islamic cultural and educational activities in return for promises by the MTI to compromise on its social agenda. The Islamic Tendency Movement also would be required to reorganize as a political party along the lines of the three legal opposition groups or associate with an opposition party if it hoped to participate in elections. b3

Playing the Government's Game

We believe the Islamic Tendency Movement is inclined to go along with the government. Mourou has suggested in statements to the press that the MTI is willing to defer some of its political demands. He announced that the MTI does not want to participate in elections to gain seats in the legislature and press its social program, although it might consider participation in a coalition government. He hinted that the MTI might change its name to satisfy government conditions for legality and stated that Bourguiba's secular legal code on social relations was a step forward, even though it was not a "sacred text." b3

In our view, Mourou's remarks indicate that the Islamic Tendency Movement believes good behavior will end the crackdown, allow for the repatriation of fundamentalists in exile, and gain amnesty for the approximately 1,600 fundamentalists still in jail. MTI leaders probably believe they have little choice in their tactics, given the apparent popularity of the 51-year-old Ben Ali and the likelihood that he will be in office until at least 1991. b3

The fundamentalists have little to lose. The Islamic Tendency Movement has established a political niche, and it is not likely to disappear. Bourguiba, despite the aura that surrounded him as the country's founder, could not devise an effective strategy for combating the fundamentalists and discouraging the growing public manifestations of religious fervor among Tunisians. The task will be no less daunting for Ben Ali. Our assessment is that the MTI, at least until the wave of arrests in 1987, was a more dynamic political movement than the three legal parties or the ruling Destourian Socialist Party, although it probably could not win an election if the government

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were to hold a truly free national ballot. We are more certain that the Destourian Socialists and the bureaucracy cannot meet public demands and mobilize the population behind government programs unless Ben Ali follows through with his promise to revitalize the ruling party. **b3**

Democratic reforms would give the MTI leadership a chance to operate freely in Tunisian society, gain a legal voice in politics, and assert its authority over radicals. Even though compromises will produce more fissures within the movement, we believe the moderates will maintain control over most MTI followers. Over the longer term, liberalization of the political system increases prospects that the fundamentalists will eventually be represented in the legislature and possibly in government decision making. **b1 b3**

The Islamic
Tendency Movement probably would be inclined to press its original social agenda if it could gain ascendancy over the other parties and somehow neutralize potential opposition from the military. **b3**

A Less Likely Outcome

We cannot completely discount the possibility that Ben Ali's rule will reduce support for fundamentalism to the point that the Islamic Tendency Movement ceases to be an effective political organization. We believe he can provide the vigorous leadership necessary to make headway in solving the country's numerous economic, social, and political problems. Ben Ali's promise to institute an anticorruption campaign devoid of the political overtones of the Bourguiba era could, if carried out, eliminate some of the ostentatious display and ill-gotten wealth that has produced popular disgruntlement and fueled fundamentalist complaints. Other signs that bode well for stability include improving economic conditions; the absence of large, violent demonstrations by fundamentalists in Tunis in recent months; and the peaceful opening of universities last fall, in contrast to the nearly uninterrupted turmoil during the previous school year. Further progress for Ben Ali will depend

on his success in making modernization more compatible with religious beliefs, overcoming the psychological causes of resurgent Islam. **b3**

Regional Perspectives

The Libyan Menace Recedes. Even though Libyan leader Qadhafi congratulated Ben Ali on his assumption of power, we believe the Libyans are disappointed by the smooth transition in Tunis. Qadhafi probably hoped that continuing tension between Bourguiba and the fundamentalists would provide an opening for Libyan subversion. Qadhafi has sought over a long period to gain influence in Tunisia. **b1 b3**

we believe Qadhafi will seek
opportunities to provide assistance to Tunisian fundamentalists, including sanctuary, funds, or even weapons. MTI leaders would seek closer cooperation with Qadhafi if Ben Ali began another round of arrests and there were signs that foreign governments now host to Tunisian refugees **b1 b3**
intended to close their doors
and force the movement to seek other safehaven. **b3**

Algerian Anxieties Relieved. In contrast to Libya, we assess that Algeria is genuinely pleased with the change in Tunis. Algerian leaders were increasingly concerned about fundamentalist political activity in Tunisia and its destabilizing effect on the country and potentially throughout the region. The government of President Bendjedid almost certainly believed that a further deterioration of the political situation in Tunisia would not only invite Libyan meddling but also encourage interference in Tunisian affairs by the Soviet Union and the United States. Algeria probably will adopt a contradictory foreign policy toward the new regime in Tunis. Bendjedid will encourage Ben Ali to co-opt the fundamentalists while maintaining a tough line toward the violence-prone extremists. At the same time, Algiers's continuing pressure on Tunis to allow Libya to join the Treaty of Fraternity and Concord linking Algeria with Mauritania and Tunisia could force Ben Ali to quicken the pace of

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reconciliation between Tunis and Tripoli, to the advantage of Qadhafi and the fundamentalist dissidents he might support. ~~_____~~ b3

Implications for the United States

We believe Ben Ali's approach will limit the potential for fundamentalism to undermine bilateral ties. ~~_____~~

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MTI leaders also may believe the United States was instrumental in Ben Ali's takeover, given a widespread impression in Tunisia that the new President has close links to Washington. The President, in our view, will become less open than Bourguiba in embracing the United States and will expand Tunisia's ties to moderate Arab states possibly

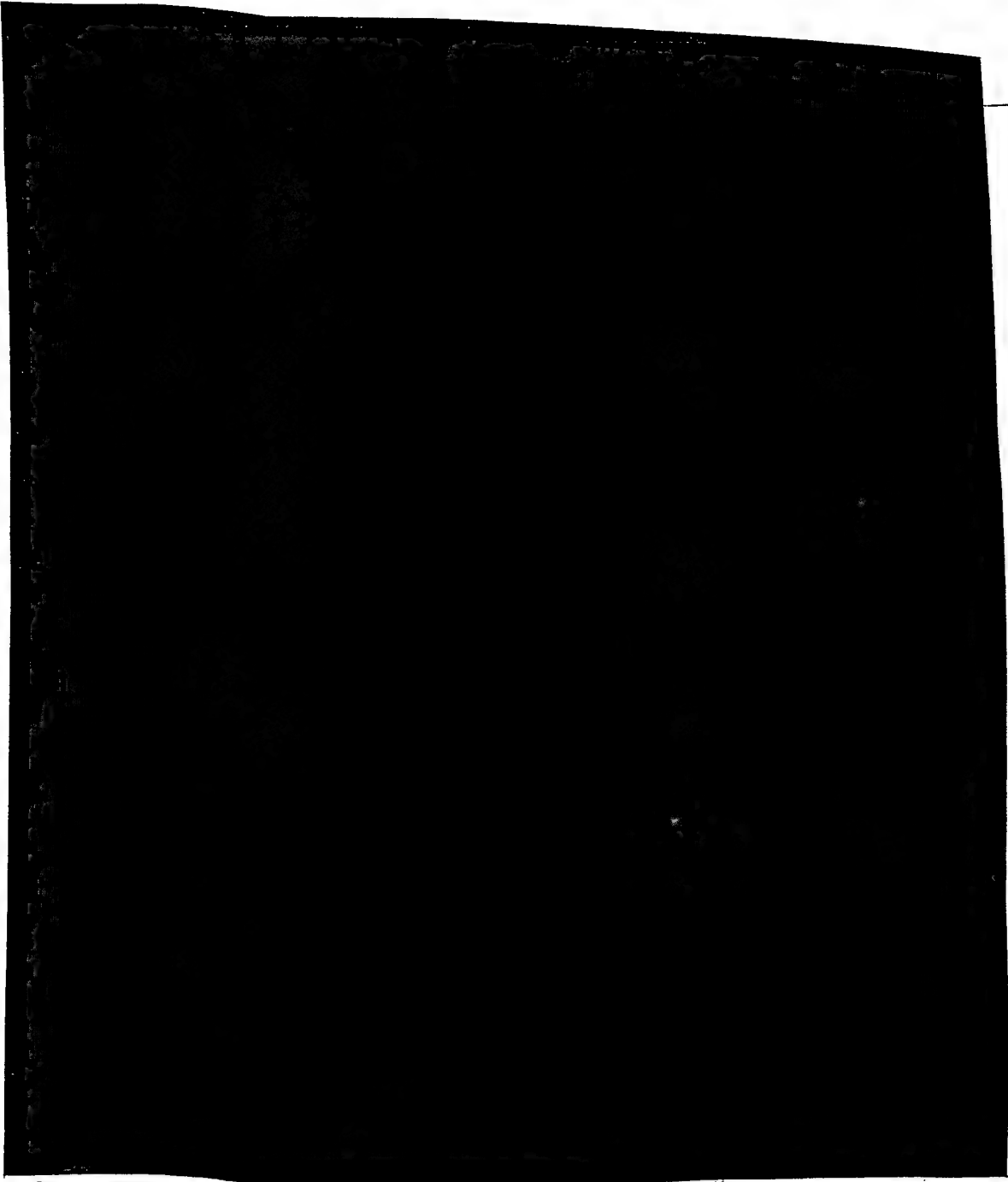
at the expense of ties to the West--moves that will be viewed positively by fundamentalists—even as he requests additional US military and economic aid. ~~_____~~ b1, b3

Fundamentalism would pose a threat to US interests only if Ben Ali misplays bilateral ties and is tarred as a lackey of Washington or if his relations with the MTI sharply deteriorate. Highly visible US military ties against the backdrop of a renewed crackdown on all fundamentalists would strengthen the hand of the radicals, who are inclined to see Washington as the prime enemy of fundamentalism. ~~_____~~ b3 b3
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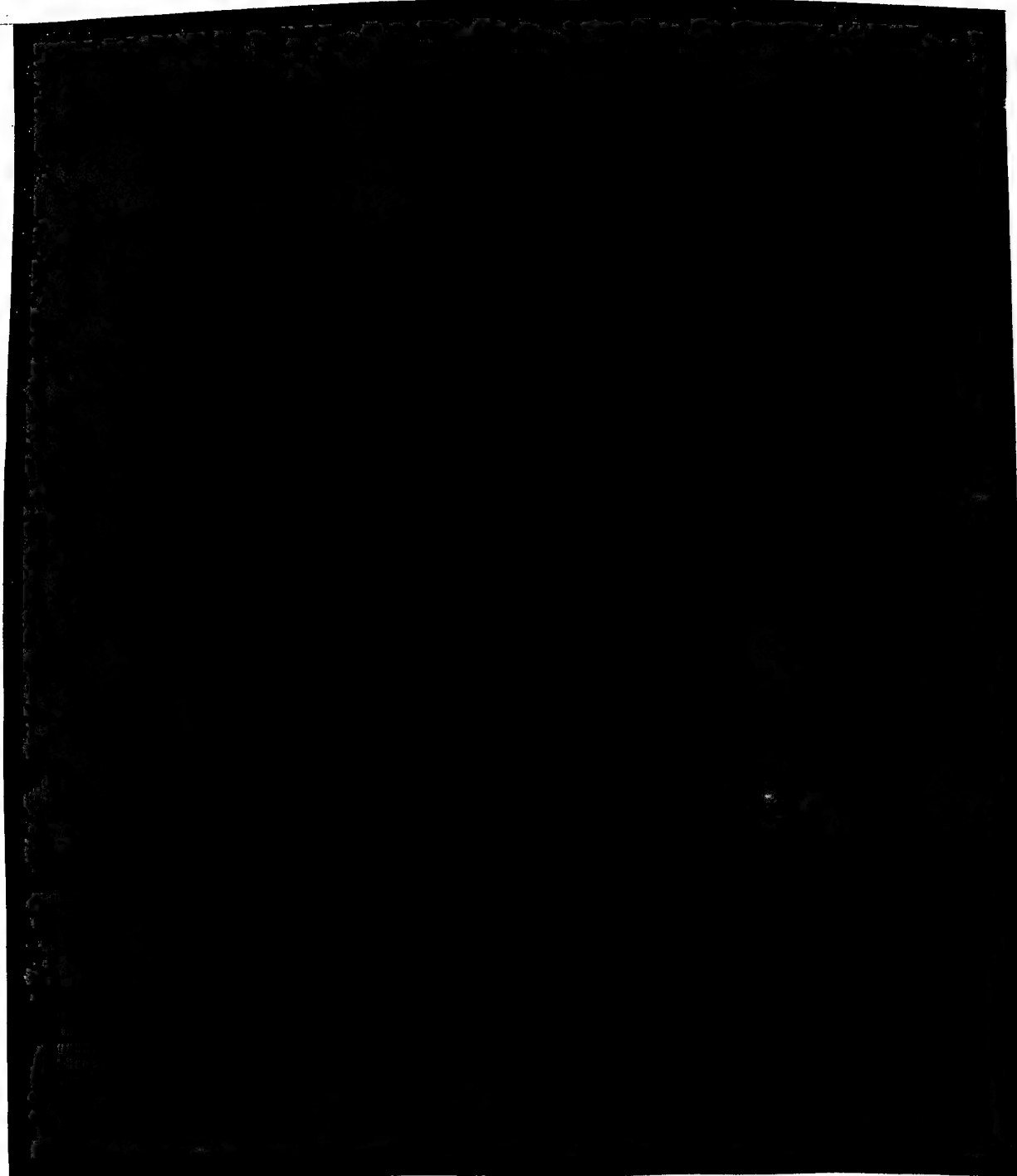
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Middle East-South Asian Debt: Manageable but Growing **b3**

Examination of the external debt position of the countries of the Middle East and South Asia reveals broad differences both in the magnitude of financing problems they face and the response of individual countries to their debt problems. In general, Middle East and South Asian debt casts a less onerous shadow than that of Latin American debt, largely because of the smaller proportion of commercial borrowing within the region. A steadily growing need for external financing combined with pressure on Western creditors for more generous rescheduling, however, is likely to produce strains in important political relationships. The United States in particular is likely to experience friction with such key allies as Egypt, Pakistan, and Morocco on debt and economic aid issues.

A Preponderance of Low-Cost Official Debt

External debt in the Middle East and South Asia pales in comparison with Latin America—only about half, or roughly \$213 billion at the end of 1986. Moreover, this debt load is spread among a larger group of countries than is the case in Latin America. Debt serviceability problems generally are less severe, with two of the larger regional debtors—Saudi Arabia and India—not within the ranks of problem debtors. Saudi debt is largely a short-term financing problem stemming from the kingdom's large merchandise import bill. India's large and diverse economy services its mainly low-cost official debt without too much difficulty.

An interesting characteristic of the debt structure in the Middle East and South Asia, in comparison with that of Latin America, is the smaller proportion of debt derived through commercial lending. Using 1986 yearend data, private lending in the Middle East and South Asia, mostly by Western banks, accounted for 39 percent of the area's medium- and long-term borrowing. In contrast, in Latin America commercial lending comprises 80 percent of medium- and long-term borrowing and constitutes a larger figure in absolute terms as well: \$274 billion in Latin America versus \$54 billion in the Middle East and South Asia.

These comparisons demonstrate why the debt issue in the Middle East and South Asia does not receive the international prominence accorded to Latin American debt. Nevertheless, significant debt servicing problems confront many countries in the Middle East and South Asia. The external debt load in this area is growing more rapidly than in any other major region of the world, with the exception of Sub-Saharan Africa: a 5.6-percent Middle East and South Asian growth rate in 1986 versus 3.7 percent in East Asia and 2.7 percent in Latin America for the same period. The growth in debt reflects in part a dropoff in oil earnings in many of these countries during 1986 and a need for short-term financing. The rising debt may also be symptomatic of longer term endemic structural problems associated with the strong public-sector orientation of many economies in the region.

The Problem Debtors

Although generalizations among such diversity are risky, we believe one can separate the countries in the Middle East and South Asia into categories reflecting the seriousness of their debt position. In the first category are the so-called problem countries, such as Algeria, Iraq, Egypt, and Morocco. Algeria is the only country in the group that relies heavily on commercial borrowing. Declining oil and natural gas prices coupled with heavy industrial development expenditures in recent years have led to an extremely high Algerian debt servicing ratio of 81 percent for 1987. Although this ratio is down from 104 percent in 1986, it is still uncomfortably high for the international banking community. **b1 b3**

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Iraq's extensive foreign borrowing since the start of the war with Iran has transformed Baghdad into a major problem debtor. Iraq's military and civilian

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Table I

TOTAL LDC DEBT 1986

Billions US \$

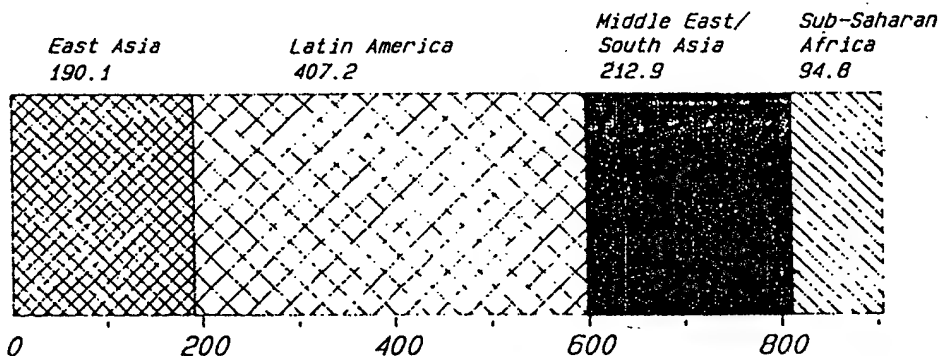
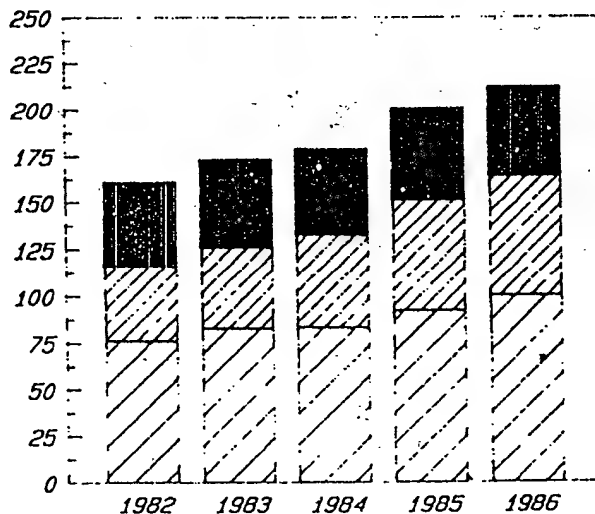


Table II

AGGREGATE EXTERNAL DEBT - MIDDLE EAST/SOUTH ASIA

Billions US \$

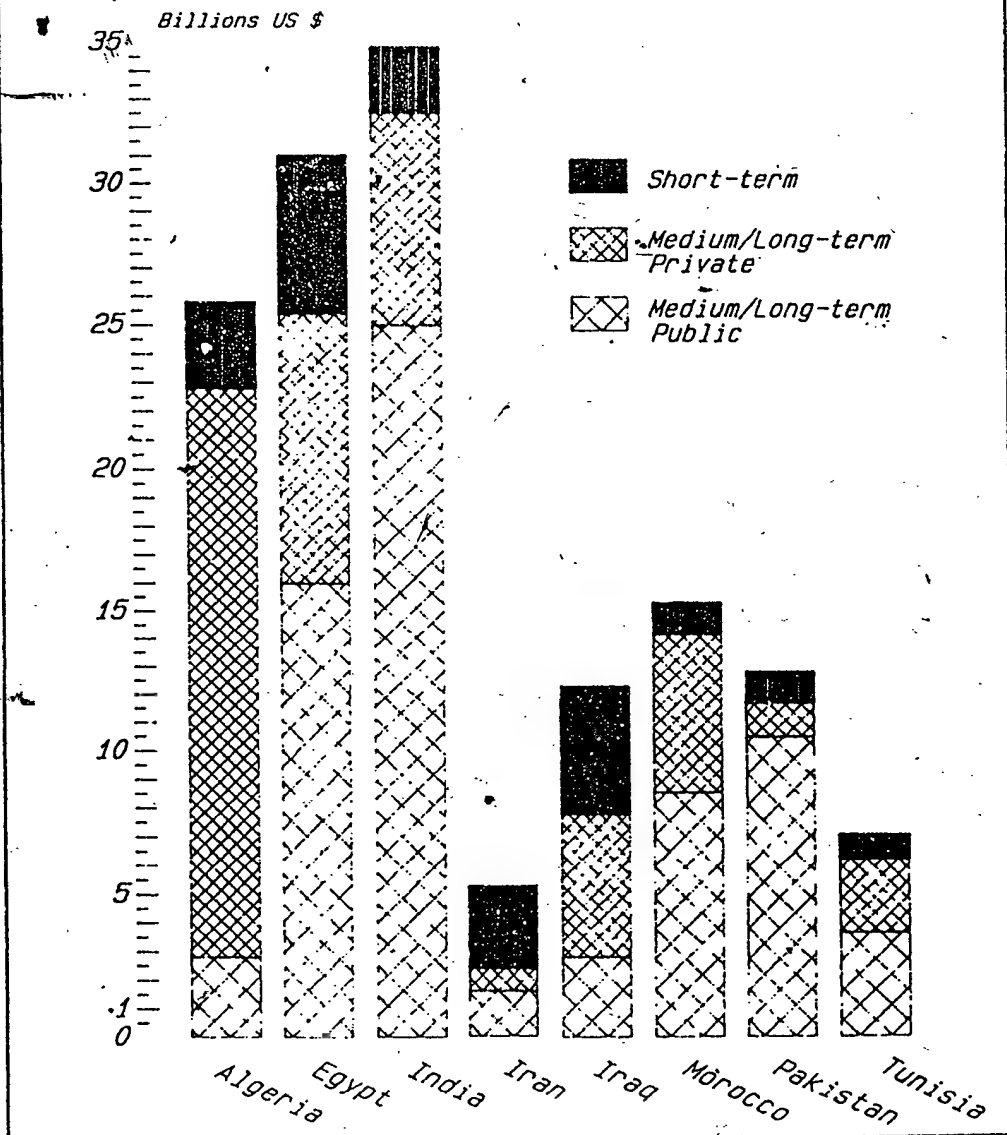
- Short-term
- ▨ Medium/Long-term Private
- ▧ Medium/Long-term Official



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Table III

*EXTERNAL DEBT - SELECTED
MIDDLE EAST/SOUTH ASIAN COUNTRIES
1986*



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debt totals about \$25 billion, which has been largely borrowed from, or guaranteed through, foreign governments—nearly half is owed to West European countries and Japan.¹ A recent upturn in Iraqi oil revenues resulting in part from expansion of its pipeline through Turkey has helped Baghdad obtain additional trade credits from suppliers. Iraq probably can pare down its external debt gradually during the 1990s, after a pipeline expansion across Saudi Arabia becomes fully operational in 1990.

Egypt, with medium- and long-term debt obligations of \$31 billion at the end of 1986, seems to have stabilized its foreign payments position following a standby credit arrangement with the International Monetary Fund and a rescheduling of \$12 billion through the Paris Club. Improved oil and tourist earnings and possible renewed financial assistance from Gulf Arabs following Cairo's reacceptance into the Arab fold at the Amman summit meeting point to a more positive near-term outlook. Egypt's progress in restructuring its inefficient economy under the standby arrangement, however, is questionable given its incomplete compliance, and growth prospects are clouded.

Morocco's foreign payments problems forced it into an agreement with the IMF several years ago. The adjustment program and debt rescheduling have led to improvement in its foreign payments position, but Morocco's troubles are not over. Debt servicing payment will remain a serious burden on the economy for the medium term, absorbing nearly half the country's export earnings through the early 1990s. As in Egypt's case, Morocco will have to cut consumer subsidies further and restructure public-sector companies, which will undoubtedly cause friction within a populace already feeling the pinch of austerity.

Two Successful Adjusters: Tunisia and Iran

Tunis has over the past year devalued the dinar, liberalized trade laws, and imposed sharp cuts in public spending in response to severe foreign

payments disequilibrium. By prudently preparing the populace for the severity of its economic measures, the government avoided the bloody rioting that followed bread price increases in 1984. Tunisia has met or exceeded the targets associated with its IMF program, although some reforms, particularly those to reduce basic consumer subsidies, must still be implemented. Moreover, confidence in Tunis has increased since the aged President Bourguiba was replaced by a younger and more energetic leader who is committed to further liberalization.

Iran's successful response to financial pressures has led it down a different route, that of financial autarky. The Islamic regime in Tehran has pursued a policy of economic independence and has avoided incurring long-term debt. Iran's ability to enforce sharp cuts in consumer imports without substantial public reaction makes its adjustment procedures unique and probably irrelevant for any state not willing or able to enforce strict public discipline. A sharp decline in Iranian oil revenues during 1986 forced Tehran to increase short-term borrowing—mostly trade credits—which now exceeds \$5.5 billion. Iran is likely to remain a very conservative borrower unless the fiscal fundamentalists who control the government are pushed aside by younger, more growth-oriented leaders.

Borrowers With Growing Needs

Sandwiched between the problem debtors and the successful adjusters are most of the countries in the Middle East and South Asia. A common thread that unites many of these states is their steadily expanding need for external financing. Whether the result of declining oil or remittance earnings or simply poor economic management and resulting economic stagnation, the trend in the region appears toward an overall expanded requirement for foreign capital. This applies to new medium-term commercial borrowers such as Jordan and Syria as well as long-established borrowers like India.

The magnitude of external financing needs over the next five years will depend greatly on economic prospects in countries belonging to the Organization

¹ This debt estimate excludes at least \$35 billion in "soft" loans principally from Saudi Arabia and Kuwait, which are unlikely to be repaid.

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for Economic Cooperation and Development. An economic collapse or significant slowdown in the economies of the industrial countries would have a sharply negative impact on oil prices. A significant drop in oil prices would, in turn, reverberate throughout the region, given the important linkages among oil earnings, remittances, and aid flows within the region.

The Seeds of Further Tension

For problem debtors such as Egypt and Morocco, whose access to commercial lending is severely limited, dependence on bilateral or multilateral international lenders will grow. Both countries are fortunate because their strategic positions will attract help from the West. Nevertheless, Western creditors probably will continue to insist on compliance with IMF-endorsed economic adjustment programs. This will, no doubt, sow the seeds of further tension and confrontation between lenders and these borrowers because domestic criticism of austerity measures will probably increase.

Borrowers with the economic clout that results from large oil and gas reserves, such as Algeria and Iraq, will probably pursue more independent debt negotiating strategies. Iraq's ability to abstain from dealings through the Paris Club or the IMF and its success in playing one lender against another to obtain more favorable financing will probably be strengthened by its strong medium-term prospects for additional crude oil export capacity. Algeria will probably continue to avoid a structural adjustment program and Paris Club rescheduling. With no significant increase in hydrocarbon earnings likely and austerity already straining the political system, however, Algiers may be forced to accept some form of cooperation with its international creditors.

We believe the Middle East and South Asia will witness more frequent attempts to circumvent the traditional path of an IMF-endorsed adjustment program and debt rescheduling through the Paris and London Clubs of creditors. The success of some Latin American debtors in forcing Western creditors to adopt less onerous repayment schedules has encouraged this tendency. The generous terms of the 1987 Egyptian standby arrangement and Egypt's lax compliance with these measures have probably encouraged the belief that Western creditors can be forced to yield softer terms.

The tendency in the Middle East and South Asia to challenge current assumptions about debt management and to press Western creditors—both official and commercial—for more generous debt rescheduling is likely to dominate future financial relations and produce further strains in important political relationships.



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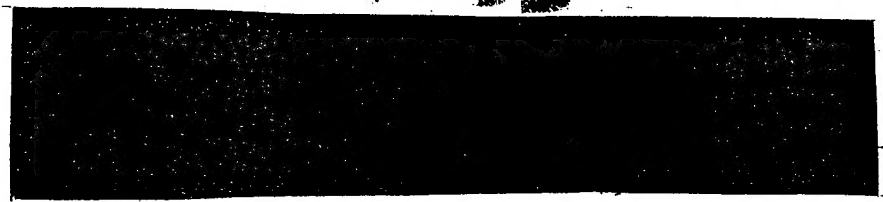
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Near East and
South Asia Brief **b3**

Saudi Arabia

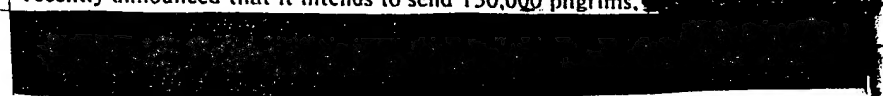
Banning Iranian Religious Pilgrims **b3**

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The Saudis are being pressed by Iran to negotiate the number of Iranians allowed to perform this year's hajj—the annual major pilgrimage—in July. Tehran recently announced that it intends to send 150,000 pilgrims. **b3**



Riyadh's refusal to grant visas to Iranians for the minor pilgrimage **b1**
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b3 at a time when tension between Saudi Arabia and Iran is high. This action, however, conflicts with Riyadh's Islamic obligation to allow all Muslims access to the holy cities. The Saudis will find it increasingly difficult to deny religious visas to Iranians, and we believe Riyadh and Tehran will reach a compromise in the next few months, reducing the number of umrah and hajj participants. Nonetheless, we expect Iran to send the largest national contingent—over 100,000 pilgrims—to this year's hajj **b3**

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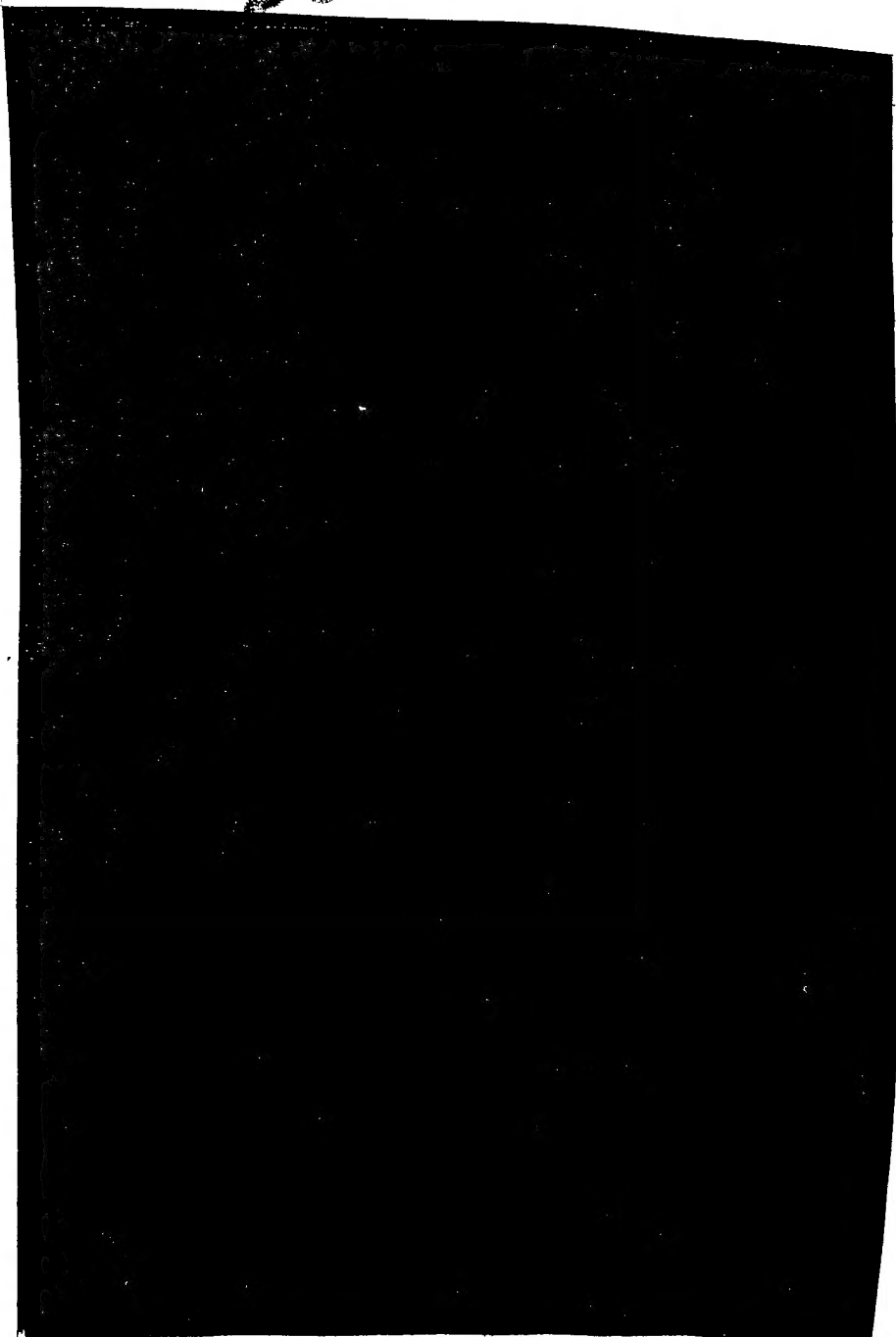
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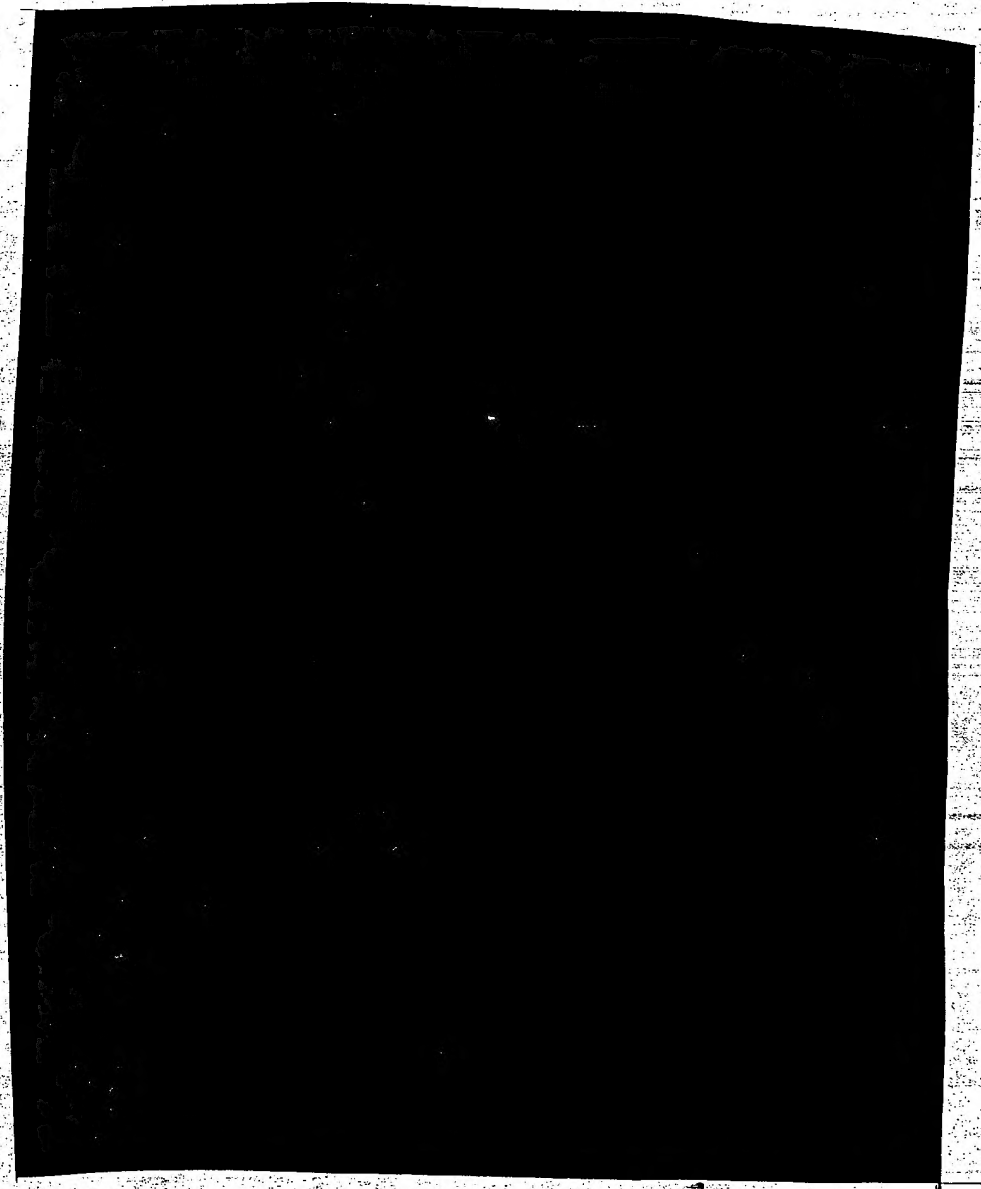
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